

**SOUTHEAST WEBSTER-GRAND
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2010 meeting)		
Grant Gibbons	President	2013
Rob Scott	Vice President	2013
Todd Lundgren		2011
Sean Whalen		2011
Michelle Stapp		2013
Dave Hainzinger		2013
Dan Hansen		2011

(After September 2010 meeting)		
Todd Lundgren	President	2011
Rob Scott	Vice President	2013
Grant Gibbons		2013
Sean Whalen		2011
Michelle Stapp		2013
Dan Hansen		2011
Dave Hainzinger		2013

School Officials

Launi Dane	Superintendent
Karla Flickinger	District Secretary /Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Southeast Webster-Grand Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District, Burnside, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2012 on our consideration of Southeast Webster-Grand Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Webster-Grand Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited the financial statements of the two predecessor districts for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management a Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

February 8, 2012

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Southeast Webster-Grand Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,925,106 in fiscal year 2010, to \$6,472,279 in fiscal year 2011, a nine percent increase. General Fund expenditures decreased from \$6,227,973 in fiscal year 2010 to \$6,253,426 in fiscal year 2011, a one percent increase.
- The General Fund increased over \$218,000. Additional local taxes, restoration of state aid cuts and severe cost containment measures were the primary factors.
- The District collected statewide sales, services and use tax during the year. These revenues were used to buy a bus and do various building projects.
- The District continues to have a negative solvency ratio. This is an indicator of how financially sound the District is. 5-10% is a commonly quoted range to achieve.
- The District has a positive General Fund Unspent Authorized Budget balance; however, that is less than half of the balance five years ago.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Webster-Grand Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Webster-Grand Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southeast Webster-Grand Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses. In addition, the Schedule of Federal Awards provides details of various federal programs benefitting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Southeast Webster Grand Community School District Annual Financial Report

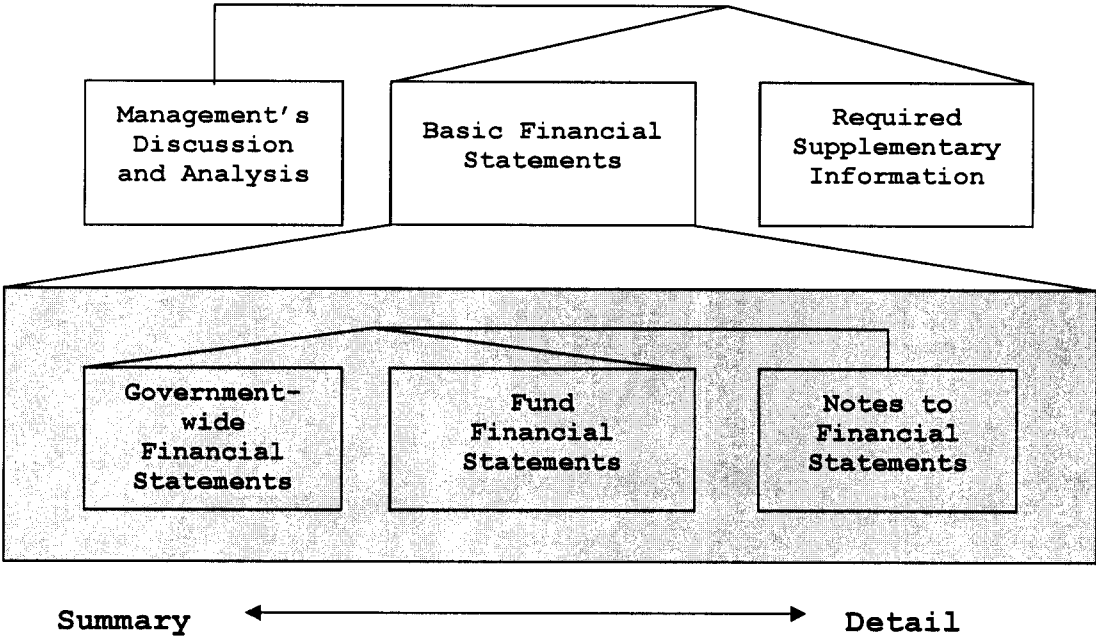


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, Eagles Nest and day care
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all of its funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District Enterprise Funds included the School Nutrition Fund, Eagles Nest and Daycare.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 4,057	3,849	45	45	4,102	3,894	5.34%
Capital assets	2,368	2,364	6	8	2,374	2,372	0.08%
Total assets	6,425	6,213	51	53	6,476	6,266	3.35%
Current liabilities	3,416	3,640	9	12	3,425	3,652	-6.22%
Non-current liabilities	66	156	-	-	66	156	-57.69%
Total liabilities	3,482	3,796	9	12	3,491	3,808	-8.32%
Net Assets							
Invested in capital assets, net of related debt	2,368	2,364	6	8	2,374	2,372	0.08%
Restricted	760	558	-	-	760	558	36.20%
Unrestricted	(185)	(505)	36	33	(149)	(472)	68.43%
Total net assets	\$ 2,943	2,417	42	41	2,985	2,458	21.44%

The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets are primarily in the General Fund. The District's financial solvency is negative. A 5% - 10% solvency ratio is most commonly used as a goal. The unrestricted deficit decreased by \$340,000 primarily due to a second year in a row of virtually no increases in expenses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 367	332	231	256	598	588	1.70%
Operating grants, contributions and restricted interest	1,539	1,615	184	165	1,723	1,780	-3.20%
General revenues:							
Property tax	2,808	2,508	-	-	2,808	2,508	11.96%
Income surtax	128	142	-	-	128	142	-9.86%
Statewide sales, services and use tax	429	430	-	-	429	430	-0.23%
Unrestricted state grants	1,964	1,783	-	-	1,964	1,783	10.15%
Unrestricted investment earnings	1	29	-	-	1	29	-96.55%
Other	103	8	-	-	103	8	1187.50%
Total revenues	<u>7,339</u>	<u>6,847</u>	<u>415</u>	<u>421</u>	<u>7,754</u>	<u>7,268</u>	<u>6.69%</u>
Program expenses:							
Governmental activities:							
Instruction	4,392	4,659	-	-	4,392	4,659	-5.73%
Support Services	1,756	1,807	-	-	1,756	1,807	-2.82%
Non-instructional programs	-	-	414	396	414	396	4.55%
Other expenses	665	637	-	-	665	637	4.40%
Total expenses	<u>6,813</u>	<u>7,103</u>	<u>414</u>	<u>396</u>	<u>7,227</u>	<u>7,499</u>	<u>-3.63%</u>
Change in net assets	<u>\$ 526</u>	<u>(256)</u>	<u>1</u>	<u>25</u>	<u>527</u>	<u>(231)</u>	<u>-328.14%</u>

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,308,041 and expenses were \$6,761,863 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 4,392	4,659	-5.73%	2,746	2,961	-7.26%
Support services	1,756	1,807	-2.82%	1,736	1,794	-3.23%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	665	637	4.40%	426	401	6.23%
Totals	<u>\$ 6,813</u>	<u>7,103</u>	<u>-4.08%</u>	<u>4,908</u>	<u>5,156</u>	<u>-4.81%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$366,471.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,142,220.
- The net cost of governmental activities was financed with \$2,936,899 in property and other local taxes and \$1,963,574 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$414,176 and expenses totaled \$415,103. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Nutrition Fund increased by \$2,763 from the prior year. The District's Daycare operation showed a loss of \$7,808 for the year. The District's Eagle's Nest Fund showed a profit of \$5,972. The Daycare and Eagle Nest must find ways of remaining profitable or be discontinued.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Southeast Webster-Grand Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$518,356, a \$430,000 increase from the beginning balance of \$86,017.

Governmental Fund Highlights

- The District's increased General Fund financial position is the result of two primary factors severe cost containment measures and increased property taxes.
- The Physical Plant and Equipment Levy increased slightly. This fund was used for improvements to facilities.

- The Capital Projects fund increased over \$248,000 in the fiscal year ending June 30, 2011. This money can be used for many of the same purposes as the District's PPEL levy. The District is currently prioritizing projects for use of these funds now that all debt has been retired.

Proprietary Fund Highlights

The School Nutrition Fund balance increased its position during the fiscal year ending June 30, 2011. The Daycare Fund balance has decreased by over \$7,000. Eagles Nest showed a profit of almost \$6,000.

BUDGETARY HIGHLIGHTS

The District's receipts were \$195,839 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving 11% less in state funding than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures did exceed the amount budgeted in the instruction function, however, the budget as a whole was not exceeded. The District did not exceed its unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$2.3 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$146,064.

The original cost of the District's capital assets was \$5,817,934. Governmental funds account for \$5,732,307, with the remainder of \$85,087 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 9	9	-	-	9	9	0.00%
Site improvements	368	391	-	-	368	391	-5.88%
Buildings	1,700	1,764	-	-	1,700	1,764	-3.63%
Furniture and equipment	291	200	6	8	297	208	42.79%
Totals	\$ 2,368	2,364	6	8	2,374	2,372	0.08%

Long-Term Debt

The only long term debt remaining are early retirement payments and retiree health insurance benefits. Both are fully described in the notes to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence on the part of the administration and board of education.
- The District has begun sharing in several areas in order to contain costs without reducing programs.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karla Flickinger, Business Manager, Southeast Webster-Grand Community School District, 30850 Paragon Avenue, Burnside, IA 50521.

Basic Financial Statements

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 1,184,942	50,886	1,235,828
Receivables:			
Property tax:			
Current year	44,428	-	44,428
Succeeding year	2,427,566	-	2,427,566
Income surtax	122,864	-	122,864
Due from other governments	229,770	-	229,770
Other receivables	12,963	12,435	25,398
Interfund receivables/payables	34,268	(34,268)	-
Inventory	-	16,407	16,407
Capital assets, net of accumulated depreciation	2,368,245	6,207	2,374,452
Total assets	<u>6,425,046</u>	<u>51,667</u>	<u>6,476,713</u>
Liabilities			
Accounts payable	225,650	-	225,650
Accrued payroll	525,811	9,288	535,099
Deferred revenue:			
Succeeding year property tax	2,427,566	-	2,427,566
Federal programs	236,554	-	236,554
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	23,267	-	23,267
Portion due after one year:			
Early retirement payable	33,067	-	33,067
Net OPEB liability	10,225	-	10,225
Total liabilities	<u>3,482,140</u>	<u>9,288</u>	<u>3,491,428</u>
Net assets			
Invested in capital assets, net of related debt	2,368,245	6,207	2,374,452
Restricted for:			
Categorical funding	65,008	-	65,008
Student activities	3,793	-	3,793
Management levy	47,168	-	47,168
School infrastructure	614,164	-	614,164
Physical plant and equipment levy	29,954	-	29,954
Unrestricted	(185,426)	36,172	(149,254)
Total net assets	<u>\$ 2,942,906</u>	<u>42,379</u>	<u>2,985,285</u>

See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 4,391,516	366,471	1,279,594	(2,745,451)	-	(2,745,451)
Support services:						
Student services	24,997	-	-	(24,997)	-	(24,997)
Instructional staff services	237,992	-	-	(237,992)	-	(237,992)
Administration services	549,939	-	-	(549,939)	-	(549,939)
Operation and maintenance of plant services	490,502	-	20,257	(470,245)	-	(470,245)
Transportation services	453,048	-	-	(453,048)	-	(453,048)
	1,756,478	-	20,257	(1,736,221)	-	(1,736,221)
Other expenditures:						
AEA flowthrough	235,946	-	235,946	-	-	-
Facilities acquisition and construction	241,697	-	3,512	(238,185)	-	(238,185)
Depreciation (unallocated)*	187,815	-	-	(187,815)	-	(187,815)
	665,458	-	239,458	(426,000)	-	(426,000)
Total governmental activities	6,813,452	366,471	1,539,309	(4,907,672)	-	(4,907,672)

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	312,560	131,502	183,821	-	2,763	2,763
Other enterprise operations	101,616	99,780	-	-	(1,836)	(1,836)
	<u>414,176</u>	<u>231,282</u>	<u>183,821</u>	<u>-</u>	<u>927</u>	<u>927</u>
Total	<u>\$ 7,227,628</u>	<u>597,753</u>	<u>1,723,130</u>	<u>(4,907,672)</u>	<u>927</u>	<u>(4,906,745)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,491,907	-	2,491,907
Management				149,112	-	149,112
Capital outlay				167,571	-	167,571
Statewide sales, services and use tax				428,729	-	428,729
Income surtax				128,309	-	128,309
Unrestricted state grants				1,963,574	-	1,963,574
Unrestricted investment earnings				668	-	668
Other				103,517	-	103,517
Total general revenues				<u>5,433,387</u>	<u>-</u>	<u>5,433,387</u>
Change in net assets				525,715	927	526,642
Net assets beginning of year				<u>2,417,191</u>	<u>41,452</u>	<u>2,458,643</u>
Net assets end of year				<u>\$ 2,942,906</u>	<u>42,379</u>	<u>2,985,285</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Total
				Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy		
Assets							
Cash and pooled investments	\$ 570,376	3,793	46,552	536,930	27,291		1,184,942
Receivables:							
Property tax:							
Current year	39,407	-	2,358	-	2,663		44,428
Succeeding year	2,122,398	-	149,999	-	155,169		2,427,566
Income surtax	122,864	-	-	-	-		122,864
Due from other governments	152,536	-	-	77,234	-		229,770
Interfund receivable	34,268	-	-	-	-		34,268
Other receivables	12,963	-	-	-	-		12,963
Total assets	<u>\$ 3,054,812</u>	<u>3,793</u>	<u>198,909</u>	<u>614,164</u>	<u>185,123</u>		<u>4,056,801</u>

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Liabilities and Fund Balances

Liabilities:

Accounts payable	\$ 223,908	-	1,742	-	-	225,650
Accrued payroll	525,811	-	-	-	-	525,811
Deferred revenue:						
Succeeding year property tax	2,122,398	-	149,999	-	155,169	2,427,566
Succeeding year income surtax	122,864	-	-	-	-	122,864
Federal programs	236,554	-	-	-	-	236,554
Total liabilities	3,231,535	-	151,741	-	155,169	3,538,445

Fund balances:

Restricted for:

Categorical funding	65,008	-	-	-	-	65,008
Student activities	-	3,793	-	-	-	3,793
Management levy	-	-	47,168	-	-	47,168
School infrastructure	-	-	-	614,164	-	614,164
Physical plant and equipment levy	-	-	-	-	29,954	29,954
Unassigned	(241,731)	-	-	-	-	(241,731)
Total fund balances	(176,723)	3,793	47,168	614,164	29,954	518,356

Total liabilities and fund balances

	\$ 3,054,812	3,793	198,909	614,164	185,123	4,056,801
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See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 518,356
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2011 is not recognized as a revenue until received in the governmental funds, however it is shown as a revenue in the Statement of Activities in the year of levy, thus no deferred revenue is shown in the Statement of Net Assets	122,864
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,368,245
Long-term liabilities, including notes payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(66,559)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 2,942,906</u>

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Capital Projects Physical Plant and Equipment Levy	Total
Revenues:						
Local sources:						
Local tax	\$ 2,620,216	-	149,112	428,729	167,571	3,365,628
Tuition	366,471	-	-	-	-	366,471
Other	144,064	97,707	9,476	3,512	10,589	265,348
State sources	2,813,553	-	90	-	102	2,813,745
Federal sources	527,975	-	-	-	-	527,975
Total revenues	6,472,279	97,707	158,678	432,241	178,262	7,339,167
Expenditures:						
Current:						
Instruction	4,348,714	99,921	134,033	-	-	4,582,668
Support services:						
Student services	24,997	-	-	-	-	24,997
Instructional staff services	237,992	-	-	-	-	237,992
Administration services	549,256	-	683	-	-	549,939
Operation and maintenance of plant services	414,519	-	49,285	-	26,698	490,502
Transportation services	442,002	-	8,699	70,901	2,347	523,949
	1,668,766	-	58,667	70,901	29,045	1,827,379

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Capital Projects Physical Plant and Equipment Levy	Total
Expenditures (continued):						
Other expenditures:						
AEA flowthrough	235,946	-	-	-	-	235,946
Facility acquisition and construction	-	-	-	114,484	146,351	260,835
	235,946	-	-	114,484	146,351	496,781
Total expenditures	6,253,426	99,921	192,700	185,385	175,396	6,906,828
Change in fund balances	218,853	(2,214)	(34,022)	246,856	2,866	432,339
Fund balances beginning of year	(395,576)	6,007	81,190	367,308	27,088	86,017
Fund balances end of year	\$ (176,723)	3,793	47,168	614,164	29,954	518,356

See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 432,339

***Amounts reported for governmental activities in the Statement of
Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 191,883	
Depreciation expense	<u>(187,815)</u>	4,068

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	94,533	
Other postemployment benefits	<u>(5,225)</u>	<u>89,308</u>

Change in net assets of governmental activities (Exhibit B) \$ 525,715

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>School Nutrition</u>	<u>Eagles Nest</u>	<u>Day Care</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 50,886	-	-	50,886
Other receivables	9,037	2,945	453	12,435
Inventories	2,946	13,461	-	16,407
Capital assets, net of accumulated depreciation	6,207	-	-	6,207
Total assets	<u>69,076</u>	<u>16,406</u>	<u>453</u>	<u>85,935</u>
Liabilities				
Accrued payroll and benefits	9,288	-	-	9,288
Interfund payable	-	24,204	10,064	34,268
	<u>9,288</u>	<u>24,204</u>	<u>10,064</u>	<u>43,556</u>
Net assets				
Invested in capital assets, net of related debt	6,207	-	-	6,207
Unrestricted	53,581	(7,798)	(9,611)	36,172
Total net assets	<u>\$ 59,788</u>	<u>\$ (7,798)</u>	<u>(9,611)</u>	<u>42,379</u>

See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Eagles Nest</u>	<u>Daycare</u>	<u>Total</u>
Operating revenue:				
Local sources:				
Charges for goods and services	\$ 131,502	23,913	75,867	231,282
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	98,512	-	-	98,512
Benefits	23,651	-	-	23,651
Services	3,295	-	-	3,295
Supplies	185,416	-	-	185,416
Depreciation	1,686	-	-	1,686
	<u>312,560</u>	<u>-</u>	<u>-</u>	<u>312,560</u>
Other enterprise operations:				
Salaries	-	274	69,216	69,490
Benefits	-	15	9,351	9,366
Services	-	-	627	627
Supplies	-	17,652	4,481	22,133
	<u>-</u>	<u>17,941</u>	<u>83,675</u>	<u>101,616</u>
Total operating expenses	<u>312,560</u>	<u>17,941</u>	<u>83,675</u>	<u>414,176</u>
Operating profit (loss)	<u>(181,058)</u>	<u>5,972</u>	<u>(7,808)</u>	<u>(182,894)</u>
Non-operating revenues:				
Interest on investments	43	-	-	43
Repayment to General Fund	-	-	-	-
State sources	2,964	-	-	2,964
Federal sources	180,814	-	-	180,814
	<u>183,821</u>	<u>-</u>	<u>-</u>	<u>183,821</u>
Change in fund net assets	2,763	5,972	(7,808)	927
Net assets beginning of year	<u>57,025</u>	<u>(13,770)</u>	<u>(1,803)</u>	<u>41,452</u>
Net assets end of year	<u>\$ 59,788</u>	<u>(7,798)</u>	<u>(9,611)</u>	<u>42,379</u>

See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	School Nutrition	Eagles Nest	Daycare	Total
Cash flows from operating activities:				
Cash received from sale of inventory	\$ -	23,913	-	23,913
Cash received from sale of services	122,465	-	75,414	197,879
Cash payments to employees for services	(122,163)	(289)	(78,567)	(201,019)
Cash payments to suppliers for goods or services	(178,501)	(19,691)	(5,224)	(203,416)
Net cash (used in) operating activities	(178,199)	3,933	(8,377)	(182,643)
Cash flows from non-capital financing activities:				
State grants received	2,964	-	-	2,964
Federal grants received	169,605	-	-	169,605
Net cash provided by non-capital financing activities	172,569	-	-	172,569
Cash flows from capital financing activities:				
Interfund payable to(from) General Fund	-	(988)	8,377	7,389
Cash flows from investing activities:				
Interest on investments	43	-	-	43
Net increase in cash and cash equivalents	(5,587)	2,945	-	(2,642)
Cash and cash equivalents beginning of year	56,473	-	-	56,473
Cash and cash equivalents end of year	<u>\$ 50,886</u>	<u>2,945</u>	<u>-</u>	<u>53,831</u>
Reconciliation of operating profit (loss) to net cash (used by) operating activities:				
Operating profit (loss)	\$ (181,058)	5,972	(7,808)	(182,894)
Adjustments to reconcile operating profit (loss) to net cash (used by) operating activities:				
Depreciation	1,686	-	-	1,686
Commodities used	11,209	-	-	11,209
(Increase) in other receivables	(9,037)	2,945	(453)	(6,545)
(Increase) decrease in inventory	923	(1,019)	-	(96)
(Decrease) in accounts payable	(1,922)	(1,020)	(116)	(3,058)
	<u>\$ (178,199)</u>	<u>6,878</u>	<u>(8,377)</u>	<u>(179,698)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$11,209.

See notes to financial statements.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Southeast Webster-Grand Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Boxholm, Pilot Mound, Burnside, Harcourt, Lehigh, and Dayton, Iowa, and agricultural area in Webster and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Southeast Webster-Grand Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Southeast Webster-Grand Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster and Boone County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund, Statewide Sales, Services and Use Tax are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Capital Projects Fund, Physical Plant and Equipment Levy is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition, Eagles Nest and Daycare Funds. These funds are used to account for the food service, student run business and daycare operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District is prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for current payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Intangible costs	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the instruction function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	-	-	9,000
Capital assets being depreciated:				
Site Improvements	709,980	-	-	709,980
Buildings	3,326,981	-	-	3,326,981
Furniture and Equipment	1,494,463	191,883	-	1,686,346
Total capital assets being depreciated	5,531,424	191,883	-	5,723,307
Less accumulated depreciation for:				
Site Improvements	318,583	23,703	-	342,286
Buildings	1,563,653	63,076	-	1,626,729
Furniture and Equipment	1,294,011	101,036	-	1,395,047
Total accumulated depreciation	3,176,247	187,815	-	3,364,062
Total capital assets being depreciated, net	2,355,177	4,068	-	2,359,245
Governmental activities, capital assets, net	\$ 2,364,177	4,068	-	2,368,245
Business type activities:				
Furniture and equipment	\$ 85,087	-	-	85,087
Less accumulated depreciation	77,194	1,686	-	78,880
Business type activities capital assets, net	\$ 7,893	(1,686)	-	6,207

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated	\$ 187,815
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Business Type activities

Food service operations	\$ 1,686
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(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$244,723, \$254,140, and \$242,675 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$235,946 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Long Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 5,000	5,225	-	10,225	-
Early Retirement	<u>153,600</u>	<u>-</u>	<u>97,266</u>	<u>56,334</u>	<u>23,267</u>
Total	<u>\$158,600</u>	<u>5,225</u>	<u>97,266</u>	<u>66,559</u>	<u>23,267</u>

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Early Retirement

Early retirement benefits were available to certificated employees who are 55 years old by June 30, 2010 and had 15 years of continued experience with Southeast Webster-Grand Community School District (including its predecessor districts). The District has discontinued the Early Retirement plan beginning in FY2011. There are no definite plans as to possible reinstatement. Benefits totaling \$97,266 were paid in fiscal year 2011.

(9) Financial Condition

The General Fund had a negative fund balance of \$176,723 at June 30, 2011.

The Daycare and Eagles Nest (both enterprise funds) had deficits of \$9,611 and \$7,798, respectively, at June 30, 2011.

The Iowa Department of Education has taken the position that Enterprise Funds (other than School Nutrition) are not allowed to be supported by General Fund monies. As both of these funds share a checking account with the General Fund it appears as if both funds should be returned to profitability or closed without causing a loss on the part of the General Fund.

(10) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 76 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 68,000
Interest on net OPEB obligation	225
Adjustment to annual required contribution	-
Annual OPEB cost	<u>68,225</u>
Contributions made	<u>(63,000)</u>
Increase in net OPEB obligation	5,225
Net OPEB obligation beginning of year	5,000
Net OPEB obligation end of year	<u>\$ 10,225</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$63,000 to the medical plan.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$68,000	92.6%	\$ 5,000
June 30, 2011	\$68,225	92.3%	\$10,225

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$621,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$621,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,682,000 and the ratio of the UAAL to covered payroll was 16.9%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information, in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement probabilities from the GASB 45 Table 1 Paragraph 35(b) as of June 30, 2007 and applying the termination factors use in the GASB 45 Table 1 Paragraph 35(b) as of June 30, 2008.

Projected claim costs of the medical plan are \$1,080 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	27,088
Change in fund type classification per implementation of GASB Statement No. 54	<u>27,088</u>	<u>(27,088)</u>
Balances July 1, 2010, as restated	<u>\$27,088</u>	<u>-</u>

Required Supplementary Information

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance
	Actual	Actual		Original Final	
Revenues:					
Local sources	\$ 3,997,447	231,325	4,228,772	4,321,993	(93,221)
State sources	2,813,745	2,964	2,816,709	3,151,116	(334,407)
Federal sources	527,975	180,814	708,789	477,000	231,789
Total revenues	<u>7,339,167</u>	<u>415,103</u>	<u>7,754,270</u>	<u>7,950,109</u>	<u>(195,839)</u>
Expenditures/Expenses:					
Instruction	4,582,668	-	4,582,668	4,203,307	(379,361)
Support services	1,827,379	-	1,827,379	2,753,819	926,440
Non-instructional programs	-	414,176	414,176	468,653	54,477
Other expenditures	496,781	-	496,781	789,521	292,740
Total expenditures/expenses	<u>6,906,828</u>	<u>414,176</u>	<u>7,321,004</u>	<u>8,215,300</u>	<u>894,296</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	432,339	927	433,266	(265,191)	698,457
Other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	432,339	927	433,266	(265,191)	698,457
Balance beginning of year	86,017	41,452	127,469	265,191	(137,722)
Balance end of year	<u>\$ 518,356</u>	<u>42,379</u>	<u>560,735</u>	<u>-</u>	<u>560,735</u>

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the instruction function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$621	\$621	0.0%	\$3,987	15.6%
2011	Jul 1, 2009	\$0	\$621	\$621	0.0%	\$3,682	16.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
All HS Athletics	\$ 6	7,174	1,430	5,750
HS Uniforms	(1,058)	122	-	(936)
HS Football	3,500	13,048	12,572	3,976
HS Basketball	3,108	7,224	5,427	4,905
HS Track	(261)	2,045	2,294	(510)
HS Golf	(2,508)	125	1,071	(3,454)
HS Baseball/Softball	(13,514)	1,867	5,210	(16,857)
HS Volleyball	(3,561)	2,619	2,685	(3,627)
HS Wrestling	3,927	4,314	4,253	3,988
Class of 2011	1,760	261	1,694	327
Class of 2009	161	-	-	161
Class of 2010	132	-	-	132
Class of 2012	(150)	9,913	8,459	1,304
Class of 2013	-	-	250	(250)
All JH Athletics	2,759	5,341	3,391	4,709
JH Football	(351)	158	305	(498)
JH Volleyball	(422)	273	375	(524)
JH Basketball	(1,725)	765	1,430	(2,390)
JH Track	280	210	662	(172)
JH Baseball/Softball	(2,530)	-	1,348	(3,878)
Pictures	1,506	-	168	1,338
Project Graduation	2,417	8,088	9,516	989
RIF	(259)	25	-	(234)
HS Activities	31	126	117	40
JH Band Club	1,939	2,989	2,302	2,626
HS Band Club	6,659	14,611	19,869	1,401
Speech Club	(1,867)	406	731	(2,192)
JH Vocal Club	125	-	-	125
SH Vocal Club	815	-	-	815
National Honor Society	334	1,162	1,337	159
DECA	(717)	682	1,215	(1,250)
Operation Angel Tree	1,230	4,054	3,461	1,823
Industrial Tech Club	(445)	-	-	(445)
HS Cheerleading	2,192	3,153	2,492	2,853
Youth Softball	491	620	521	590
FCA	181	-	-	181
JH Student Council	1,150	3,460	3,166	1,444
SH Student Council	672	2,872	2,170	1,374
	<u>6,007</u>	<u>97,707</u>	<u>99,921</u>	<u>3,793</u>

See accompanying independent auditor's report.

For the Last Eight Years

See accompanying independent auditor's report.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 36,812
Summer Food Service Program for Children	10.559	FY11	24,229
National School Lunch Program	10.555	FY11	<u>119,773</u>
			<u>180,814</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	84,582
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	25,321
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	92,103
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY11	26,755
Education Jobs Fund	84.410	FY11	41,281
Grants for Assessments and Related Activities	84.369	FY11	3,484
Rural Education Achievement Program	84.358	FY11	26,059
Improving Teacher Quality - States Grants	84.369	FY11	31,859
Vocational Education - Basic Grants to States	84.048	FY11	69,206
Area Education Agency 8:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	49,948
Special Education - Grants for Infants and Families with Disabilities	84.181	FY11	1,224
Special Education - Grants to States (IDEA Part B)	84.027	FY11	<u>64,859</u>
Total			<u>\$ 697,495</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Webster-Grand Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

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- Over 30 years of Expertise and Experience
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- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Southeast Webster-Grand Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Webster-Grand Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Webster-Grand Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Webster-Grand Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Southeast Webster-Grand Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Webster-Grand Community School District and other parties to whom Southeast Webster-Grand Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Webster-Grand Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 8, 2012

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133

Member:

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- Iowa Society of Certified Public Accountants

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- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Southeast Webster-Grand Community School District:

Compliance

We have audited the compliance of Southeast Webster-Grand Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Southeast Webster-Grand Community School District's major federal programs for the year ended June 30, 2011. Southeast Webster-Grand Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Southeast Webster-Grand Community School District's management. Our responsibility is to express an opinion on Southeast Webster-Grand Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Webster-Grand Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeast Webster-Grand Community School District's compliance with those requirements.

In our opinion, Southeast Webster-Grand Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Southeast Webster-Grand Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Southeast Webster-Grand Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over compliance.

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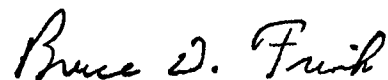
Phone: (515) 532-6659
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bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Southeast Webster-Grand Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Southeast Webster-Grand Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Webster-Grand Community School District and other parties to whom Southeast Webster-Grand Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

February 8, 2012

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.410: Education Jobs Fund
 - CFDA Number 84.358: Rural Education

Cluster Programs

- CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
- CFDA Number 84.397: ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

Cluster programs:

- CFDA Number 10.553: School Breakfast Program
 - CFDA Number 10.555: National School Lunch Program (including noncash commodities)
 - CFDA Number 10.559: Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
 - (i) Southeast Webster-Grand Community School District did not qualify as a low-risk auditee.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

- II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through Iowa Department of Education

CFDA Number 84.358: Rural Education
Federal Award Year: 2011
U.S. Department of Education
Passed through Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

CFDA Number 84.397: ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Federal Award Year: 2011

U.S. Department of Education
Passed through Iowa Department of Education

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program (including noncash commodities)
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2011
US Department of Agriculture
Passed through Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-A-11 Certified Budget - During the year ending June 30, 2011, expenditures in the instruction function exceeded the amount budgeted. The District did not exceed the unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
K and D Land Improvement Board member	Snow removal and grounds maintenance	\$22,303

In accordance with Chapter 279.7A of the Code of Iowa these transactions do not appear to violations as they were properly bid.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-H-11 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2010 was overstated. The District's certified enrollment count included 7 additional students on row 1. This resulted in overstating the total actual enrollment at row 7 by 7 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-I-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$367,308
Revenues/transfers in:		
Sales tax revenues	\$428,729	
Other local revenues	<u>3,512</u>	<u>432,241</u>
		799,549
Expenditures/transfers out:		
School infrastructure construction		
Equipment	<u>114,484</u>	<u>185,385</u>
	<u>70,901</u>	
Ending balance		<u>\$614,164</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-M-11 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2011. The Eagle Nest (Enterprise Fund) had a deficit of \$9,611 and Day Car (Enterprise Fund) of \$7,798. The General Fund had a deficit of \$176,723 at June 30, 2011.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

The Iowa Department of Education has taken the position that Enterprise Funds (other than School Nutrition) are not allowed to be supported by General Fund monies. As both of these funds share a checking account with the General Fund it appears as if both funds should be returned to profitability or closed without causing a loss on the part of the General Fund.

Response - The District is continuing to investigate alternatives to eliminate deficits in all of these funds at the end of the fiscal year.

Conclusion - Response accepted.